

CITY COUNCIL OVERSIGHT COMMITTEE MINUTES

May 10, 2018

The City Council Oversight Committee of the City of Norman, Cleveland County, State of Oklahoma, met in a conference at 8:40 a.m. in the City Council Executive Conference Room on the 10th day of May, 2018, and notice and agenda of the meeting were posted at the Municipal Building at 201 West Gray and the Norman Public Library at 225 North Webster 48 hours prior to the beginning of the meeting.

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| PRESENT: | Chairman Allison |
| ABSENT: | Councilmember Castleberry, Holman, and Karjala |
| OTHERS PRESENT: | Mayor Miller Councilmember Bierman Ms. Jeanne Snider, Assistant City Attorney II Ms. Susan Connors, Planning and Community Development Director Mr. Jeff Bryant, City Attorney Mr. Steve Lewis, City Manager |

Item 1, being:

CONTINUED DISCUSSION REGARDING SHORT TERM RENTALS (COMMERCIAL HOME SHARING SUCH AS AIRBNB, HOME AWAY, AND VRBO).

Ms. Jeanne Snider, Assistant City Attorney II, said the City Council Oversight Committee had their first meeting about Short-Term Rentals (STR) on February 15, 2018. She said she has spent a lot of time researching STR across the country and there is a high demand for regulations. She said there are a couple of issues that have been mentioned in past meetings, which include the neighborhood opt-out option. She said there is nothing listed for any other city that shows an individual neighborhood opt-out option has been created. She said Homeowner's Associations (HOA) are known to have individual neighborhood opt-outs on STRs. She said there are different zoning districts and most have been able to handle this issue by having different types of licenses. She said the different categories seem to be a good way to handle STRs.

Ms. Snider said included in the presentation packet is an example of the City of New Orleans STR Zoning Restrictions, which show the French Quarter in New Orleans is prohibited from STRs. She said most neighborhoods in Norman are concerned about noise, party houses, the impact of a neighborhood's character, and the safety of the communities. She said the different types of licensing are well-liked by Staff and seem to be one of the better ways to handle STRs. Ms. Snider said some of the items to consider include the number of units owned, occupancy limits, and owner-occupied units.

Councilmember Bierman asked why the Temporary STR has to have an in-town property manager and the Commercial STR does not require it. Ms. Snider said that is something that can be added to the regulations. She said most compliance monitoring services would be able to monitor the regulations more appropriately.

Ms. Snider said there are issues with apartment complex STRs all over the country. She said tenants are attempting to rent out their apartment units as STRs. Ms. Susan Connors, Planning & Community Development Director, said the current draft ordinance indicates no more than two or three units at the same time. Ms. Snider said some cities have a limit of only one license for one property per year. She

said if that is not feasible, there might be a minimum of distance between the units. She said the neighborhoods do not need to turn into a row of hotels.

Ms. Snider said total bans on Airbnb's have led to lawsuits. She said currently Airbnb is the only company that has voluntary tax collection, but ultimately the owner would be responsible and the compliance monitoring service companies could assist with tax collections. She said another item to consider is inspections. The City does not have the staff capacity to handle the inspections. She said enforcement could be challenging.

Ms. Snider provided examples from other cities, e.g., New Orleans and said all of the provisions and requirements are available on their website so that those who wish to have a STR will know what is required of them and the surrounding neighbors understand the rules as well.

Mayor Miller asked if the licensing fees would help fund the monitoring services if that is something Council wanted to do. Ms. Snider said yes and the average fee across the country is \$250. Mayor Miller noticed it is \$500 in New Orleans, but Chairman Allison said the higher fee is for Commercial only.

Ms. Snider said the monitoring services company she has been working with has identified 154 listings representing 144 unique rental units (Airbnb) in Norman as of March, 2018. She said the rentals have an average rate of \$115 per night and 61% are single family homes.

Councilmember Allison asked if the cost of the monitoring service is charged per home or monthly. He said he wants to make sure the City's licensing fees cover the cost of the service. Ms. Snider said yes it would cover the costs. She said the fee is \$5,000 per year, but some companies do the address verification to identify STRs, which is \$4,600 per year. She said that would help with the compliance monitoring to send out letters to those who do not have permits. She said there is also a 24-hour helpline to contact offending property owners. She said there are all types of different levels provided by the compliance monitoring services, but some cities are requiring a face-to-face service instead of a 24-hour contact service line.

Ms. Snider said the person renting out the property needs to contact their insurance company to make sure the STR is covered. She said Airbnbs do provide some type of supplemental insurance to hosts and guests may be able to buy their own supplemental insurance for things like damage. Councilmember Allison asked if other cities are requiring insurance. Ms. Snider said the insurance could be part of the licensing.

Ms. Snider said the ordinance drafted in March by Staff needs direction from Council on the following issues:

- 24/7 local contact;
- Occupancy limits;
- Restrictions on noise and parking;
- Trash collection schedule;
- Burn bans and water restrictions; and
- Notice of local contact information to be mailed to all properties within 100 feet at owner's expense.

Ms. Snider highlighted the proposed general requirements for operators of STRs outlined in the ordinance as follows:

- Shall have operational smoke detectors, carbon monoxide detectors, and fire extinguishers;
- Required egress windows located in bedrooms must be operational;
- Can be licensed for no more than 95 days per year on lots with up to four units;
- Only two units may be used as STRs on lots with five or more units;
- Limit number of STR licenses per year per applicant;
- Restrictions on noise, sound equipment, and musical instruments; and
- Include license number in all advertising.

Ms. Snider discussed the proposed occupancy limits as follows:

- No more than two adults per bedroom/sleeping accommodations;
- May not use STR for outside assembly between 10:00 p.m.-7:00 a.m.; limited to six adults;
- Assembly includes a wedding, bachelor or bachelorette party, sponsored event, or similar group activity other than sleeping;
- STR may not be used by more than 10 adults at one time; and
- STR may not be used by six unrelated adults.

Ms. Donna Thomas said she does not like the wording in the occupancy section that references adults instead of guests. She said there could be 10 adults and 40 kids staying in one rental. She said this is not uncommon and has been seen in her neighborhood. She said the high number of tenants bring parking issues. She said when tenants can no longer park on the street; the STRs may want to expand their driveways. Ms. Snider said expanding a driveway would require a permit from the City.

Councilmember Bierman agrees with changing the term from adults to persons. She felt like different categories should be considered for different zoning districts. She supports requiring licenses to the extent they could be enforced and adding insurance requirements would be a good idea.

Mr. Gates Sellers said some of the issues he is experiencing with STRs are people parking in front of his mailbox, parking in the yard, and the possibility of dangerous people staying in STRs that could cause harm to children. He said STRs bring criminal activity into the neighborhoods. Mayor Miller said she understands his concerns and this is why the City is moving forward to place regulations on the STRs. Mr. Sellers would like an investigation as to why the citizens' complaints have not been acted upon. He wants to know who these STR owners are and asked if they are corporations. Ms. Snider said a lot of communities restrict the type of ownership to individuals only.

Ms. Snider presented the proposed local contact requirements as follows:

- Must identify an individual to serve as a local contact to respond to emergency conditions;
- Owner must be in the metro area and be available to respond within one hour; and
- Any change of local contact must be updated within three business days.

Ms. Snider said the ordinance contains provisions to address repeat offenses. The Director of Planning and Community Development may deny, suspend or revoke an application for failure to comply with the provisions of the ordinance or if the property receives two violations within a 12 month period. The Director of Planning and Community Development may deny the renewal of a license if the property has had repeated violations in a 24 month period based on the frequency of repeated violations, whether the violations were committed intentionally or knowingly, and any other information that demonstrates the degree to which an owner/occupant endangered public health, safety, and/or welfare. An applicant may appeal the Director's decision to the City Manager

Ms. Snider said changes could be filed with the Municipal Court with fines ranging from \$50 to \$750, which is the range restricted through State Statute.

Mayor Miller said she thinks there should be different categories of the STRs. There should be a limit on the number of rentals a person can have in a neighborhood. She knows it will be hard to monitor the occupancy limits if that restriction is not listed in the ordinance. Ms. Connors said if the occupancy restriction is listed in the ordinance, 95% of the people will most likely comply. Mayor Miller said the number of parked cars should also be explored.

Mayor Miller asked if the City would be responsible for making inspections of the premises to ensure compliance with smoke alarms, fire extinguishers, etc. Ms. Connors said it would be difficult to do with the current staffing levels. Council discussed the possibility of establishing guidelines for inspections and the owner utilizing an independent inspector to make the inspection and then submitting them to the City.

Councilmember Bierman said Council should consider limitations on the amount of properties an owner can have. She said the City cannot be too restrictive with what property owners do with their property, because it will create legal issues. Mayor Miller said the problem with STRs is that they are not currently illegal because there is not an ordinance to regulate them. She said it is important for the City to get something in place so the City can monitor them and have some kind of recourse action.

Ms. Joy Hampton, the *Norman Transcript*, said there are a lot of apartments incorporating these types of units and Norman is documented as a soft rental market. She said if the City limits the number allowed in multi-family complexes, it might push the STRs into single-family neighborhoods.

Councilmember Allison said he likes how the City of New Orleans has the regulations split into different categories. He asked if the City of New Orleans addressed multi-family complexes under the commercial guidelines. Ms. Snider said that is something that will need to be addressed.

Councilmember Allison asked is there a way to ban STRs without the option of litigation similar to how HOAs are handling them. Ms. Snider said HOAs can amend their policy. Councilmember Allison asked if the HOA has to have a certain number of votes. Ms. Snider said it depends on each HOA. She said some HOAs have a no rental policy. Councilmember Allison said one way to address this issue may be to allow individual neighborhoods to have an opt-out option.

Ms. Sylvia Bone asked if the ordinance will address handicap accessibility. She said if New Orleans can put a restriction on the French Quarter, the City should be able to do the same thing for neighborhoods that petition and come forward to the Council. Councilmember Allison asked if a zoning district could be created to not allow STRs. Ms. Connors said opt out areas could be created, but there would need to be a percentage of commitment from the property owners in the neighborhood.

Ms. Lee Hall said she is glad this issue is being addressed. She thinks it is really important to move forward with regulations and she loves the idea of the different categories. She feels fees should be high enough to cover the expenses to enforce any kind of ordinance put in place. She said her major concern is the single-family home neighborhoods (R-1). She said the City needs to think about the long term effects of STRs in R-1 zoning districts and maybe limit the number of STR homes in neighborhoods. She also loves the idea of limiting the number of days a home can be rented out, because people who own rental property are going to have to decide to continue to rent their homes in single family neighborhoods all year long. She said the major issue is right now you are not allowed to have a bed and breakfast in R-1 Zoning. She asked if the City values single-family home neighborhoods, because the topic continues to be suggested to allow more and more things to happen in single family home neighborhoods. She said the fee structure needs to be high enough to have the staff to enforce it. She does not want investors to have the opportunity to buy a lot of homes to turn into investment property.

Mr. William Murray suggested whatever regulations are put in place be reviewed every year to avoid unintended consequences. He said he is a current bed and breakfast owner and he proudly follows every regulation that is put in place with the City. He said the collecting and remitting of Room Tax definitely needs to happen. He said there are a lot of problems that need to be solved in lots of areas and he applauds Council for addressing these issues, because when regulations are put in place issues are resolved. He said the fees need to be high enough to have the adequate level of staffing to ensure people are complying with the regulations.

Ms. Thomas said she does not approve and expects R-1 zoning districts to be enforced.

Ms. Debbie Sellers said it is a safety concern, because you never know who is living next door. She said it is scary and she has lived there for over thirty years. Her children always rode their bikes around the neighborhood and you cannot do that anymore.

Mr. Sellers said there is a city ordinance that defines what a hotel is and defines what a STR is. He said it is apparent that the City is trying to skate around the Oklahoma State Department of Health requirements and the Americans Disabilities Act (ADA) for hotels and motels. He is concerned it will devalue his property.

Mayor Miller asked if rules could be more lenient on owner occupied homes. She said there could be a different kind of license for commercial areas or apartments to rent for more days to protect the neighborhoods. Councilmember Allison said that is the reason why he likes the different categories listed with the City of New Orleans and agrees the fees should cover the costs.

Mayor Miller suggested restricting STRs in residential neighborhoods to owner-occupied units or restrict the number of rental days. She said Council is still figuring out what is the best solution to put in place to make it a better situation for R-1 neighborhoods. She asked Mr. Sellers if the home was owner-occupied would he still have the issues. Mr. Sellers said yes.

Councilmember Allison said he likes the wording in one of the ordinances that said no commercial or social event activities in STRs and thinks that is important to put in the ordinance. He said the next step is to take the draft ordinance to Council to make a decision. Mayor Miller said it needs to be put in place soon and Councilmember Allison said hopefully by football season. He said a date will be determined and announced for the next Study Session.

Items submitted for the record

1. PowerPoint presentation entitled, "Short-Term Rentals", dated May 10, 2018, with Attachment 1, Memorandum dated May 4, 2018, from Susan Connors, Planning and Community Development Director and Jeanne Snider, Assistant City Attorney, to the Council Oversight Committee; Attachment 2, Memorandum dated March 9, 2018, from Susan Connors, Planning and Community Development Director, to the Council Oversight Committee; Attachment 3, Draft Ordinance; Attachment 4, Council Oversight Committee Minutes dated March 15, 2018; and Attachment 5, City of New Orleans Short-Term Rental Zoning Restrictions and Brochure
2. iCompass Norman Data Details of Short-Term Rentals in Norman, dated March, 2018

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The meeting was adjourned at 9:55 a.m.